INDIA ANALYST MEET, PUNE

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State of the Business

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Thank you and good morning to everyone. My welcome to all of you to Pune Development Center. What I want to do over the next 15 minutes is briefly talk about where we are and where we are going. If you look at the results from the 2nd quarter, we had sequential growth, we have given guidance for Q3 and Q4 of continued growth. The industry also is clearly poised for growth this year. We had said that we will get a better view of next year once the budgets are finalized. We expect the budgets to be finalized as per normal schedule within the first month of the new calendar year which is January, we expect the budgets to be finalized. The current indications of feedback from our clients is that the budgets are going to be flat with respect to this year, almost the same as respect to this year which I believe is good news because this year the budgets were down by about 6%-8% from last year. That is 2009 it was down by about 6%-8% compared to last year.   Compared to that, a flat 2010 is actually better. Similarly we also see increased opportunities for the Global Delivery Model or companies based on this model and one indication of that again is the recruitment has started. Though Infosys has always been recruiting, as an industry I believe that recruitment has started.

Over the last 10 years the company has been changing dramatically and it will continue to change over the next several years. So I want to briefly talk about the changes and that is what I will start with. It gives you an overview of what is happening at Infosys. This is the safe harbor clause which all of you are familiar with. Now this presentation is not on your pen drive. Our vision has remained the same all through the history of the company, the key phrases there are- globally respected corporation that provides best of breed business solutions leveraging technology delivered by best in class people.

Our mission we believe is through strategic partnerships, we have an ecosystem around us and a few relationships which we consider as strategic with product companies with companies which provide services which Infosys today is not providing. So for example when you look at desktop support at customer sites, this is where we would have a strategic alliance. When you look at packages like SAP, Oracle, we would have strategic relationships. So we have strategic partnerships and through these partnerships we bring a full set of services, an end-to-end set of services and help build the tomorrow's enterprise.

We strongly believe that every company must continue to evolve, every company must respond to changes in their business environment, changes driven by information technology, changes driven by what is happening in the environment with respect to sustainability, climate change, healthcare cost, pension cost etc. so every company today is investing in transformation and so our mission is to help build tomorrow's enterprise. Our values remain the same - Customer Delight, Leadership by example, Integrity and transparency, Fairness and pursuit of Excellence. Our aspirations, these are our goals in the medium to long term. We have not given a date or a year for these goals. But if you look at our goals over the next few years, we want to have equal revenues coming from business transformation, tradition set of business operation related services - application maintenance, BPO, infrastructure management kind of services and about 1/3rd from

new models of engagement, IP based services, intellectual property services, solutions we deliver to the markets and many of them will be using new engagement models. From a geography perspective we want to balance the revenues across the geographies. Today about 62% of our revenues come from US about 25% from Europe and about 12%-13% from rest of the world. We want to go to a 40-40-20 mix. About 5% of our employees are non-Indians today. We want to take it to about 15%. We aim to get industry leading financial performance which means that higher growth, higher margins, higher return on invested capital, all the parameter you look for. So we want to have industry leading performance, the company has always stood for profitable growth and that and better financial performance. So those are our aspirations forever. From the beginning of the company we have strongly believed in Predictability, Sustainability, Profitability and De-risk growth. The PSPD the model is at the core of everything we do.

As I said over the years, we have been building our capabilities, we have been building our services lines, we have been building our go-to-market strategies and this one slide actually captures the entire set of initiatives, it is a very busy slide but it is very elegantly captures all the things we do. If you look at the center and I will start with the center, it shows you all the set of services and solutions we have, consulting enterprise solutions, system integration, business application management which has the application management, testing; product and business platforms, we have been investing in platforms in HR etc, later we will talk about it; business process management, knowledge and learning management and engineering services. Many of these services today have reached a critical size of about 5% -7% of our revenues. So today we can clearly say that we have the critical mass, we have the scale, we have the capability. In many of these we have been rated by technology analysts like Gartner or Forrestor to be leaders in the world. So over the last 10 years we have been building these services. The engagement models are just above that. Strategic Global Sourcing is one engagement model, the business transformation program are another engagement model where we are helping our clients with their transformation programs and we are looking at newer and newer engagement models, pay-as-you-go, utility computing, transaction-based pricing, device-based pricing. So various new engagement models and there is a session followed by the introductory presentations on the new engagement models.

At the bottom is the internally focused initiatives, business value articulation, adding new client, deepening existing relationship through cross-selling services, expanding our geographical penetration in the new markets, looking at how do we collaborate internally better, what we called Smarter Infosys, investment in research innovation, we will continue to focus on operational excellence and productivity and of course build on global talents and leadership.

So you know these are the strategies we have which build the capability which create new services which create new markets for us which enhances our productivity, which look at investment and solutions, IP and things like that.

On the top is the go-to-market side where we are looking at banking and capital markets, communications, media and entertainment and energy and utility, the various industries in which we are operating. Now there are key drivers for change in each of these industries. In fact there are some common themes now we see across the world and these are the themes that are highlighted, emerging economies drive growth from any organization today. If you are an automobile manufacturer, if you are a bank, if you are an insurance company, you need to focus on Asia, you need to focus on India and China to drive growth. Sustainable tomorrow, which is about you know the changes that are happening because of environment climate change etc. Every organization must focus on these things. There are some companies which focus on building specific products for these things. Infosys is working in the area of Smart Grids working in the area of automating meters so that you can control these meters remotely. There are new models of commerce emerging with mobile technology, electronic cash and things like that. Healthcare and pension costs are increasing. So there is a series of initiatives on controlling these

costs, managing these better as well as the related area of medical instrumentation, electronic health records (e-health records), digital consumers, consumers have changed their buying pattern behavior, they are well informed today. They are the center of the universe and all the companies are at the circumference, trying to sell to this one customer. The customer has choice, they have information, they have data today to make informed choices. We are all trying to build smarter organizations and in our organizations that respond very fast, very quickly, changes is a constant as you know. So every organization is looking to build more responsive, agile adaptable businesses through the investments and systems and processes.

Lastly technology is going to continue to drive change for the foreseeable future. For the next 20 to 30 years, I strongly believe that Information Technology will continue to drive change. 2 areas we are focusing on - one is cloud computing where the cost of computing will come down through centralizations and will come down through use of internet, shared services platforms and things like that. The second is sensor devices, appliances etc which can be connected to the internet. Today about 1.6-1.7 billion people, organizations are connected to the Internet but in the next 20 years, about 50 to 60 billion devices are going to be connected to the internet and that will change the way we will do everything, how we control our lives, how we manage our lives, how business is done, how we do supply chain, how we track use of electricity, the Smart Grids and things like that, how medical appliances are inter-connected together, how the world is inter-connected together, will change and that comes under the services computing area.

So what we are doing now is taking the services we have, the solutions we have, tying them with the drivers for change in our customers and becoming more focused on these themes, more focused on the solutions that are relevant to our clients, the drivers for change in our clients and becoming lot more prescriptive, lot more proactive, lot more closer to our clients. Consulting helps in this regard, our ability to do large programs help in this regard, our ability to do transformation help in this regard, our solution programs are focused in these regard. So everything we do is actually bringing us closer and closer to our customers. We can speak their language, our education and training, our certification programs, everything we do is allowing us to become closer and closer to our clients and add more value, become more prescriptive, become more proactive, become more solution-oriented and that ties together with everything we do. So this is a single slide which shows the transformation that is happening within Infosys. We believe that it is a journey and this evolution will continue.

Now this is what differentiates Infosys from anyone else within the industry today. Our focus on what is best for our clients, when we introduced Global Delivery Model, we changed the way services were delivered at that point. We brought in a new paradigm of efficiency, quality and cost. Then we said that within this Global Delivery Model, we should be able to deliver a full range of services. So everything we do today has Global Delivery Model embedded. Today we have the critical mass to help our client end-to-end. In the last two to three years we have been investing heavily on intellectual property, solutions, building our industry knowledge, domain capabilities etc. So that we can become more proactive, more prescriptive, more solution-oriented, our consulting helps in this regard. Even our drive to have more global employees, is tied to this so that we can provide better quality of relationship management, consulting etc. to our clients. The next stage of evolution is about becoming more proactive, prescriptive etc. We believe that this will differentiate Infosys. We have a unique positioning within the industry. It ties the best of Global Delivery Models with the best of consulting, transformation etc.

Thank you very much. I hope this will explain all the things you hear for the rest of the day. Thank you.